United States
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Foreign Agriculture

Korea: A Major U.S. Market With Potential for Growth

Marketing News

MEF Conducts Consumer Survey in Japan

According to a consumer survey by the **Meat Export Federation's (MEF)** Tokyo office, price is one of the major factors restraining beef consumption in Japan. Eighty percent of the consumers responding to the MEF survey at the International Hotel and Restaurant Show in Harumi said they would eat more beef if the meat were more affordable.

The survey also showed that most consumers do not distinguish between U.S. beef and beef imported from other sources. This is due in part to the fact that beef is labeled only as "imported" without making specific reference to its country of origin.

The majority of people surveyed said they cooked sukiyaki (thin-sliced beef and vegetables) at home, while 59 percent ordered beef steak in a restaurant. The second most popular menu item was hamburger, preferred by 24 percent of the respondents.

In addition to surveying consumers at the Harumi show, the MEF provided samples of beef and pork donated by MEF member companies. MEF also distributed informational brochures on U.S. meats.

Bakers' Training School Opens in Guangzhou

A bakers' training school to help speed the modernization of China's wheat food industry was inaugurated by U.S. wheat industry officials in May in Guangzhou. **U.S. Wheat Associates** provided some of the major equipment for the school and is also making technical assistance and training materials available. Chinese instructors were trained at the American Institute of Baking on U.S. Wheat scholarships, and U.S. Wheat baking consultants will visit the school regularly to assist in developing the training program. Wheat foods are rapidly gaining popularity in this southern rice-eating area. Provincial officials report that bread consumption has increased 15 percent in the four years since U.S. Wheat has been providing technical support to the industry.

Japan Beef Program Has Boosted U.S. Feed Grain Exports

One out of every 3.6 tons of U.S. feed grains exported last year was headed for Japan. The reasons for Japan's consistently high volume of U.S. feed grain purchases are varied, but one identifiable factor is the effort put into developing the Japanese market by the **U.S. Feed Grains Council (USFGC)**. For almost 25 years, the Council has been working with the Japanese agricultural sector to improve consumer diets, which has resulted in expanded demand for feed grains.

One of the Council's most successful programs has been an ongoing effort to improve Japanese beef production. Back in the early 1960s, the Council realized that Japanese consumers wanted more beef in their diets. One way to have more beef available was for the Japanese to develop their own domestic beef industry.

However, lack of technical and management expertise necessary to achieve cost efficiency in beef production was a problem. Through Council-conducted on-site seminars, trade teams and other initiatives, these results were achieved: reduced beef calf mortality, reduced consumer beef prices, improved feeding rations and reduced calf slaughter.

An example of the Council's efforts included working with the Japanese feed milling industry to help compounders improve their products by introducing more energy from U.S. grains. Partly as a result of these activities, Japan experienced a huge increase in the use of formula feeds containing grains and oilseeds — from 78,000 tons in 1965 to more than 2.6 million in 1983.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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Korean school children on Cheju Island, adapted from a photograph by Andrew Walker.

Korea: New Challenges in An Important Market

Andrew Walker

By Dan Conable

Korea was a $2-billion market for U.S. farm products in fiscal 1984 and ranked as our sixth largest customer in the world. Still it is a country whose markets remain inaccessible to many U.S. agricultural exporters, as much through the workings of an elaborate system of permits, approvals, and administrative supervision as through conventional tariff barriers.

This issue of *Foreign Agriculture* will highlight some of the special features of the Korean marketplace, which has much long-term potential for U.S. agricultural exporters.

A Special Relationship

The huge Korean agricultural market is primarily a bulk commodity market, with grains and cotton, fats and oils, oilseeds, hides and skins and logs accounting for most of the imports.

The U.S. position in this bulk commodity market springs from the special history of U.S./Korean trade and aid relations following the Korean conflict.

P.L. 480 commodity shipments served as the vehicle for close to $2 billion in resource transfers from the United States to the Korean government in the 1950s, 1960s and 1970s.

As a result of these transactions and U.S. export credit programs, Korean buyers and consumers became familiar with U.S. commodities such as wheat, corn and cotton, and also became familiar with the companies supplying those commodities.

It was natural for Korea to continue to turn to the United States for such imports even after concessional credit programs were phased out in 1980. The legacy of U.S. aid programs was a remarkable degree of dependence on the United States as a source for Korea's agricultural imports. In fact, last year, the United States supplied approximately 48 percent of Korea's agricultural and forestry import market.

Over the last five years, partly due to conscious government policy and partly in response to emerging regional trading opportunities, Korea has begun to reduce its reliance on the United States as a supplier of agricultural commodities.

As a consequence, U.S. agricultural exports have held level or declined slightly during a period in which Korea's agricultural imports have increased considerably.

The United States faces increasing competition in Korea's bulk commodity markets from countries like China, which has recently replaced the United States as Korea's main source of feed grains.

The key to future gains for the United States in its agricultural trade with Korea may lie in the progress towards liberalization of imports of processed and high-value food and forestry products.

Liberalization an Uphill Battle

After decades of emphasis on import substitution behind high tariff and nontariff barriers, the Korean government is attempting to open its markets.

Significant gains in market liberalization have been made for some industrial products over the last five years, but a high degree of effective protection remains.

For political and social reasons, agriculture has been substantially excluded from market liberalization moves to date.

Most agricultural products face high duties and effective import bans, particularly those at the higher end of the value range.

Not Another Japan

Despite some superficial similarities between approaches to doing business in Seoul and those in Tokyo, U.S. exporters should realize that the Korean marketplace presents very different challenges.

Korea's economy and national wealth are still no match for those of Japan.

Korea's Agricultural Market Differs Greatly From Japan's

	Korea	Japan
Gross domestic product		
Total ($ bil.)	81	1,246
Per capita ($)	1,976	10,383
Trade		
Total imports and exports ($ bil.)	60	307
Balance with world ($ bil.)	-2	35
Balance with U.S. ($ bil.)	3	33
Imports		
Principal agricultural items ($ bil.)	3.7	18.2
Agricultural imports from U.S. ($ bil.)	2	7.6
Population		
Total (million)	41	120
Rural (million)	9	20.5
Average farm household income ($)	6,680	22,107
Share of rural income from farming (percent)	67	19

Per capita incomes in Korea average about $2,000 a year. Recognizing that domestic buying power is not enough to sustain an acceptable rate of economic growth, Korea's leaders have committed their country to a development strategy which emphasizes exports of manufactured products, although it does not directly subsidize these exports.

As a consequence, Korea is far more dependent on trade than is Japan. The total value of Korea's imports and exports equals three-quarters of the country's gross national product, compared to less than one-quarter of Japan's and about 15 percent of the United States'.

The Koreans themselves present a very different face from their neighbors in the Orient. Often hospitable, frank, combative and quick to display emotion, they nevertheless are not an easy people for outsiders to understand. A casual American interpersonal style is not generally appropriate for most business dealings.

Help in Approaching the Market

The U.S. Agricultural Trade Office in downtown Seoul serves as a starting point for many U.S. agricultural exporters in their exploration of the Korean market.

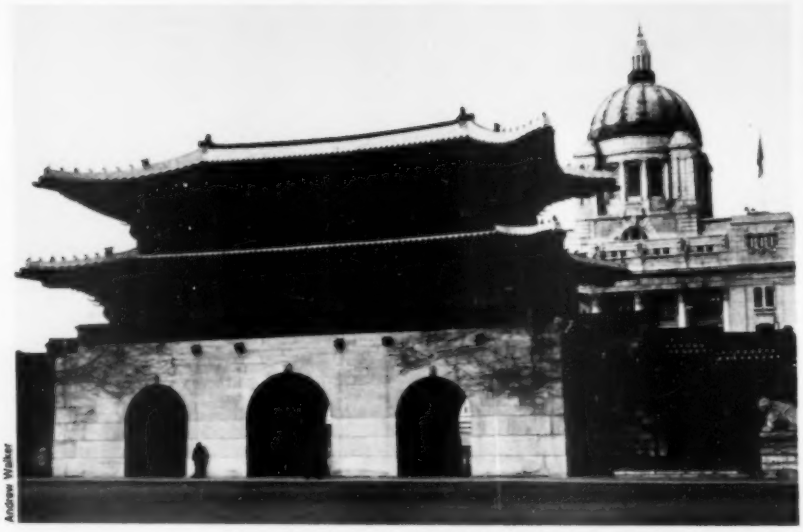
The trade office and the agricultural staff at the U.S. Embassy respond to over 700 written and telex inquiries from U.S. businesses and export promotion agencies each year, and a variety of written materials on topics of interest to potential exporters are available from those offices or Washington sources.

Those whose product interests fall within the areas of responsibility of the more than 25 trade associations which cooperate on market development activities with FAS in Korea are encouraged to contact those groups directly to learn how they can support and participate in their Korean market expansion activities.

Cooperators with offices in Seoul—U.S. Wheat Associates, National Renderers Association, American Soybean Association, and U.S. Feed Grains Council—are well equipped to support marketing activities of member companies, regional organizations and individual firms which share their goals.

The author is the U.S. Agricultural Counselor in Seoul.

Government's Guiding Hand Visible in Korea's Farm Trade



Andrew Walker

Andrew Walker

By K.H. Ahn

Government intervention in Korea's food and agricultural economy is designed to achieve the highest possible degree of food self-sufficiency as well as ensure price stability at a level which gives rural residents an income close to that of urban workers.

To accomplish this goal, the government has found it necessary to isolate the Korean food economy from world market supplies and choices, and to invest a substantial share of the national budget in direct and indirect farm subsidies.

However, limited land area and climatic factors make it impossible for Korea to grow all of its own agricultural requirements. The country turns first to other suppliers for unprocessed commodities that go into export goods—chief among these are cotton, leather and hides and skins.

Next, Korea imports farm commodities that are basic inputs for agricultural production (feed grains and nongrain feed ingredients) or for food production (wheat and vegetable oil).

Traditionally, imports of other agricultural products (for instance, peanuts, peppers, onions, beef and garlic) have been allowed only as absolutely required for price stabilization purposes or to supply hotels with provisions comparable to those available elsewhere.

Korea has a heavy concentration of agricultural trade in unprocessed commodities. However, imports of these bulk items are carefully monitored, with importing agencies often bound to follow strict government plans in making their foreign purchases.

A Long Tradition of Protectionism

Protection of the domestic farm market against unrestricted imports has been a tradition as long as Korean independence from Japan.

The primary mechanism for controlling imports is placement of items on a restricted list of goods which can be imported only with approval by a specific government ministry or a government-authorized agency.

Even after being shifted to automatic approval ("AA") status, an item may still be subject to one of the special laws, such as the Grain Management Act, which give government officials virtually unlimited discretion in approving its import.

Tariffs on most agricultural products fall in the 30-50 percent range. Nontariff barriers such as health and phytosanitary regulations and monopoly buying arrangements are in effect as well.

It is expected that as Korea approaches the year 2000, when only about 10 percent of the population will remain in the countryside, the thawing of agricultural import barriers will follow in the footsteps of the industrial market liberalization already well underway.

In fact, a few steps to open Korea's agricultural market already have been taken. However, political opposition to agricultural imports is strong in rural areas, and the apportionment of seats in Korea's National Assembly has not kept pace with rural/urban migration.

Farmers object to imports, even of items like bananas and pineapples which can be produced in Korea only under hothouse conditions.

Steps taken to open Korea's agricultural market in response to requests by the United States and other exporting countries have had a negligible impact on the volume of agricultural trade, although meaningful progress is possible over the next few years.

Import Changes Underway

Nevertheless, significant changes are taking place in the pattern of Korea's agricultural imports, as a result of internal and external developments. These include:

Import Diversification—Korea has been moving away from dependency on the purchase of a limited range of commodities from just a few origins. Each year a few new basic commodities are added to the list of importable items (for example, tapioca pellets for feed use in 1985) and trade relations are broadened by purchases from other developing countries. The United States has not benefited to any large extent from this trend.

New Domestic Programs—A big push to increase the output of domestic cattle produced a short-lived bonanza in U.S. cattle exports to Korea between 1981 and 1984. More recently, the need to supply forage to the increasing cattle herd has provided an opportunity for a significant level of seed sales for U.S. exporters.

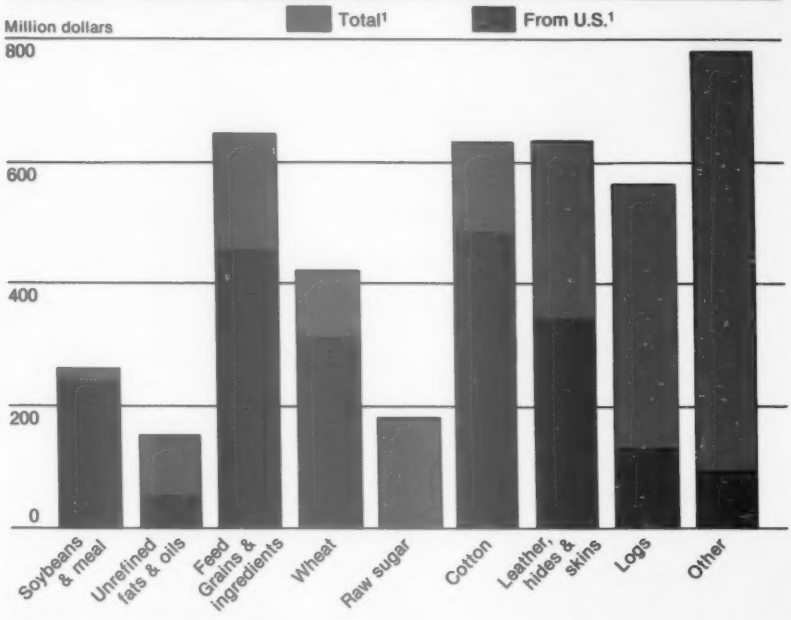
Shifting Production Patterns—Although one crop failure could quickly turn Korea back into a rice-importing country, the trend line in rice production appears to have intersected the consumption line in 1984, removing what has usually been the largest market for medium-grain rice from world trade.

On the other hand, domestic wheat production is disappearing, and barley production is declining as well. Both of these developments contribute to an increase in demand for imported milling wheat, which has traditionally been purchased from the United States.

Rapid gains in domestic beef production have resulted in a suspension of beef imports from Oceania, but growth in meat processing industries and strong consumer demand may force Korea to consider importing meat offals from abroad. In this case new market opportunities could open for U.S. producers.

New Trading Arrangements—Most of Korea's agricultural imports are made by official buying agencies through the tender system (see box). However, the government is exploring ways for Korea's large General Trading Companies (GTC's) to play a bigger role in bulk commodity imports—possibly in the context of rules that mandate countertrade arrangements as a condition for some types of import licensing.

U.S. Cotton and Grains Top Korea's Import List



[1]Includes farm products and logs

Progress Toward Opening Korea's Agricultural Market, 1978-84

Item	Date Imports Freed	1985 Tariff	1984 Imports Total	1984 Imports From U.S.
			(US$1,000)	
Cocoa beans	[1]	25%	5,589	(-)
Raisins	July 1, 1981	50%	3,569	(2,469)
Palm kernels	July 1, 1981	15%	878	(0)
Coffee beans	July 1, 1982	30%	24,894	(-)
Vegetable seeds	July 1, 1982	0%	1,191	(265)
Cotton seed	July 1, 1983	15%	195	(-)
Lemons	Jan. 1, 1984	50%	406	(406)
Limes	July 1, 1984	50%	-	(-)
Breeding Fowl	July 1, 1984	20%	911	(812)
Roasted coffee	July 1, 1984 [2]	30%	-	(-)
Raw mink skins	July 1, 1984 [2]	30%	34,612	(3,555)

[1] Prior to 1981.
[2] Still subject to a "Surveillance" control system.

The above is a partial list of the 41 agricultural items removed during 1981-1984 from the Korean government's import restricted list. It does not include items whose import is of little trade interest to the United States (e.g., ginkgo nuts), items which were essentially freely importable before "liberalization" (e.g., cotton), or items still subject to a significant degree of import controls since "liberalization" (e.g., soybeans).

Some foreign governments are disturbed that the influence trade associations may have on import licensing can be a conflict of interest. Such cozy arrangements may eventually become a thing of the past.

In a few cases, industrial end users have been given permission to import directly (such as flour and soybean crushing mills), and others may be allowed to follow suit.

Even when current market conditions suggest that there is no hope of exporting a particular agricultural commodity to Korea, U.S. suppliers are well advised to keep a close eye on this market, which was the sixth largest U.S. farm market in fiscal 1984, the fifth largest in 1983 and the fourth largest in 1981.

Pent-up import demand is enormous and still rising, and commercial and trade policy can change very rapidly as the Korean government responds to shifting domestic and international economic conditions and opportunities. ■

The author is an agricultural specialist with FAS in Seoul.

Korea's Tender Purchasing Of Agricultural Products

Industrial purchases of such products as cotton, hides and skins for tanning, logs and lumber, tallow, wheat for milling and soybeans for crushing are carried out directly by end users on the basis of negotiation with international trading companies.

Most other agricultural imports are strictly regulated by government policy, which delegates authority to government buying agencies, semi-government agencies and trade associations to make purchases under government ministry supervision.

These buying organizations may purchase agricultural products on a negotiated basis under unusual circumstances. However, in order to avoid the appearance of impropriety, they usually make their purchases on a tender basis, either soliciting bids from any supplier worldwide (a public open tender) or, in most cases, soliciting bids from Korean firms with prior approval to participate in the bidding process (an open tender).

Announcements may appear in newspapers well in advance of a tender, but it is more common for notification to go out only to pre-qualified firms and other interested parties a few days before bids are scheduled to be opened.

For this reason, it is usually essential for a U.S. firm to be represented by a Korean company, either on an agency or one-time basis, in order to have its offer considered. The short lead time for most tenders requires the U.S. firm to develop its business channels in Korea well in advance of any specific tender.

U.S. suppliers can directly contact the agencies listed below to express interest in participating in their tenders, but past experience has shown that such contacts rarely produce results.

The U.S. Agricultural Trade Office in Seoul can provide lists of Korean firms which have recently participated in tenders by each agency (guarantees or endorsements are not implied).

The Korean import tender system, which leans towards rigid product descriptions and rock-bottom prices, frequently embroils suppliers in disputes over quality received, with forfeiture of performance bonds and the blacklisting of offering or supplying firms not unusual.

The necessity of working through a foreign intermediary poses risks which U.S. exporting firms should consider carefully before attempting to win sales through the tender procedure.

Major Korean Agricultural Import Agencies

Organization	Items frequently purchased
Office of Supply of the Republic of Korea (OSROK)	Rice, sesame seed, peanuts, garlic, red pepper; non-agricultural items
National Livestock Cooperatives Federation (NCLF)	Cattle, beef, feed grains, feed ingredients, forage and grass seeds
National Agricultural Cooperative Federation	Soybeans (food use), seed garlic
Korea Feed Association (KFA)	Feed grains, feed ingredients
Korea Flour Mills Industry Association (KOFMIA)	Wheat
Korea Corn Processing Industry Association (KCPIA)	Corn
Agriculture and Fisheries Development Corporation (AFDC)	Peanuts, sesame seed, garlic, red pepper, onions, soybeans for sprouting
Korea Tourist Hotel Supply Center (for hotel use only)	Beef, vegetables, fruits
Korean National Tourism Corporation	Wines

Korea's Import Policies Restrict Many U.S. Farm Goods

By James Swain

Korea's agricultural import policy of screening out competitive suppliers and products that the government considers nonessential presents a formidable barrier to many U.S. exporters.

In 1984, the number of products not freely importable into Korea amounted to 39 percent of the total number of items in the Korean agricultural import schedule, and to 49 percent on a trade weighted basis. Imports from the United States of items subject to restrictions were valued at over $1 billion.

Excluding seven products covering 11 tariff lines that Korea considers essential to agriculture and industry, the United States has little or no trade in the remaining 366 restricted items.

Although the Korean government is committed to trade liberalization as part of its overall economic policy, this commitment has yet to be translated into action in the agricultural sector. In fact, the ratio of restricted to nonrestricted import items has barely decreased over the past decade.

Licensing System Limits Scope Of Korean Agricultural Market

The Korean government employs a comprehensive and discretionary licensing and tariff system as the principal means of regulating imports. The regulations also limit the number of traders eligible to import. Under the system, the government has full discretion to decide who may import specified products, and when.

With the exception of government agencies and specified end users, eligibility to obtain—and retain—a trader's license is conditional on meeting satisfactory export performance.

Many restricted items, such as meats and most canned and fresh fruits, can be imported only for a limited market represented by tourist hotels and foreign commissaries. Many others, such as vegetable oils and feeds, can be imported only by end users. Imports of some items are linked to exports of related products. For example, until July this year, the amount of almonds the Koreans import was linked to the amount of chestnuts they export.

Korean Imports of Restricted and Liberalized Agricultural Products From the United States in 1984 Show a Continuing High Level of Protectionism

Product	Number of items	Imports from U.S.	U.S. Market share	1984 duty
		$ Million	*Percent*	*Percent*
Restricted items				
Corn	2	424.2	86	7 [1]
Wheat	1	315.2	74	5
Soybeans	1	228.6	100	10
Grain sorghum	1	20.7	44	7 [1]
Soybean meal	1	12.5	34	15
Pure-breeding cattle	2	9.3	35	Free [2]
Beef	2	6.5	11	21.9 [3]
Cottonseed oil	1	2.9	100	30 [2 3]
Homogenized food preps.	1	2.1	99	40 [2 3]
Orange juice	3	2 1	39	50
Feeds and feed additives	9	2.1	45	20
Onions, fresh	1	1.8	51	50
Coffee creamer	1	1.7	97	40 [3]
Other dried vegetables	1	1.1	45	30
Almonds	1	1.1	99	50 [2]
Others	349	10.2	14	-
Sub-total	**377**	**1,041.9**	**59**	**40 average**
Liberalized items				
Cotton, not carded	5	488.8	79	2 [1]
Raw hides and skins	23	255.5	88	10
Tallow	1	52.5	57	12 [3]
Feathers and down	1	12.0	85	10
Raw furskins	6	5.5	7	10
Seeds	8	3.6	58	Free
Mixtures of essential oils	2	3.5	12	50 [3]
Essential oils	12	2.6	40	20
Raisins	1	2.5	69	50
Vegetable proteins	9	2.4	57	20
Vitamins	22	1.9	13	30 [3]
Hydrogenated oils, nspf	1	1.5	22	30 [3]
Others	491	13.4	14	-
Sub-total	**582**	**845.9**	**47**	**25 average**
Grand total	**959**	**1,887.5**	**53**	**31 average**

[1] Temporary duty. General rates 10 percent.
[2] Scheduled to be liberalized July 1, 1985.
[3] Tariffs scheduled to be lowered by 1988.

Finally, imports of other items are linked to consumption of domestic products. For example, processors of orange juice must use 70 tons of domestic juice for every 30 tons of imported juice.

The Ministry of Trade and Industry administers the licensing system through its Annual Import Notice. The Notice is a list of restricted items for which licenses are granted only upon approval of the appropriate ministries, designated government agencies or industry associations. Generally these organizations have competing policies and commercial interests to safeguard.

The 1984/85 Annual Import Notice lists 225 restricted agricultural items, including fresh fruits and nuts, live animals, meat and meat products, dairy products, oilseeds, edible oils and fats, sugar, canned fruits and beverages.

Licenses for products not listed in the Annual Notice are automatically approved. However, the automatic approval list is a deceptive indicator of what is freely importable since other controls may take precedence. These controls are:

Special laws ranging from food and feed management and plant protection to the tobacco monopoly law.

Excluding items restricted for health reasons, these laws restrict 120 agricultural items which are freely importable under the Annual Import Notice. Items include powdered skim milk, potatoes, pulses, feeds, feed ingredients, grains, grain by-products, starches, soybeans and tobacco.

The **surveillance system** under which "sensitive" automatically approved items are importable, but are monitored closely to determine their impact on the domestic market.

Once imports reach certain levels, additional imports are banned. In 1984, 30 items and 6 sub-items were subject to surveillance. The list includes eggs and egg products, tomatoes, cabbages, dried onions and garlic, fresh apricots and plums, frozen fruit, chocolate and chocolate confectionary, soluble coffee, soups, broths and homogenized food preparations.

Market diversification procedures to diversify imports away from countries such as Japan, with which Korea has a trade imbalance. Items subject to these procedures include stearic acid, hydrogenated vegetable and animal oils, breads, biscuits and other bakery products, cola beverage bases, grape and other fruit beverage bases, ramen (noodles) and ice cream.

Flexible Tariff System Protects Domestic Production

In addition to the licensing system, the Korean government has considerable discretion to adjust tariff rates above the statutory rates to protect uncompetitive domestic producers and industries, to discourage "unnecessary" imports for balance of payments reasons and to prevent market disruption. Although not used extensively in the agricultural sector, flexible tariffs provide an effective mechanism for restraining imports when the need arises.

The simple average tariff rate for the agricultural sector was 3l percent in l984, and is scheduled to be lowered to 26 percent by l988. However, in certain key sectors, such as beverages, tobacco, fresh fruits and nuts, prepared fruits and vegetables, fresh vegetables and pulses, the average tariff level will remain high. The rate for tobacco, for example, is 70 percent; for fresh fruit and nuts, 50 percent.

Even if restricted items were liberalized, existing tariff levels would prevent a significant increase in imports for many products. Once products are liberalized, they still may be subject to surveillance and higher duties under the flexible tariff system.

"Emergency" tariff rates up to 40 percentage points above the statutory rates may be imposed for up to six months, though the maximum combined tariff can not exceed l00 percent. The number of agricultural items subject to these duties was reduced from six in the first half of 1984 to zero in the second half.

"Adjustment" tariffs introduced January 1, 1984 can override emergency tariffs and result in rates up to 100 percent for three years to prevent actual or potential import surges of newly liberalized items. No agricultural product is presently subject to this duty.

Tariffs can be lowered temporarily under quota to meet surges in demand or to assist in the stabilization of domestic prices. Once used extensively in the agricultural sector, only one product—rye seed—fell under the tariff rate quota system in 1984. Tapioca pellets and lupin seeds for feed were added in 1985.

Imports of raw materials for the manufacture or processing of export goods are subject to a three-month tariff moratorium pending the re-export of the manufactured product. This means that the bulk of these imports enter duty free. ■

Various Agricultural Items Liberalized July 1

CCCN Number	Product Description
01020101	Breeding dairy cattle
01020201	Breeding beef cattle
01030100	Breeding swine
05150200	Animal semen
08020400	Fresh grapefruit
08050100	Almonds
08070400-ex	Fresh cherries
l5070200	Cottonseed oil
15130100	Margarine
15130200	Imitation lard
15130300	Shortening
15130400	Other edible fats
17010101/2	Raw sugar
17010200	Refined sugar
18060201/99	Cocoa preparations
21040101	Soybean sauce
21040199	Other sauces
21040201	Tomato ketchup
21040204	Mayonnaise
21070102-ex	Fruit beverage bases
21070199	Other beverage bases
21070800	Canned corn
21071200-ex	Food preparations, including protein isolates and baby food
22020100	Aerated water
22080200	Denatured alcohol
22100100	Brewery vinegar
22100200	Other vinegar

The author is with the International Trade Policy Division. Tel. (202) 382-9057.

Cooperators in Korea Link Producers and End Users

By Elizabeth Berry

There are now 26 market development cooperators with active programs supporting the sale of U.S. agricultural commodities to Korea's markets.

Cooperators are associations of agricultural producers or regional trade groups which work with the Foreign Agricultural Service to carry out generic promotional activities. FAS shares in the funding for approved overseas activities of these groups.

Projects range from Cotton Council International's sponsorship of fashion shows featuring cotton designs modeled by the Maid of Cotton, to a recent mission supported by the U.S. Meat Export Federation to help Korean specialists develop a meat grading system.

Cooperator groups sponsor dozens of visits of U.S. supplier representatives to learn about the Korean market, and visits by Koreans to learn about U.S. products and technology.

Some cooperator programs focus on importers and industrial end users of basic agricultural commodities, helping them purchase goods with appropriate specifications and solving their technical problems in using the agricultural products they have purchased. Other cooperators work to familiarize consumers with high-value U.S. products and develop marketing programs for these products.

Four cooperator organizations have established representative offices with a total of 16 staff members in Korea. All of these offices are presently located in the U.S. agricultural trade office complex in downtown Seoul.

American Soybean Association

The American Soybean Association (ASA) opened its office in Seoul in January 1980. Over the ensuing five years, the office has proved itself as versatile as the soybean itself. Activity areas include assistance to the soybean crushing, feed, animal agriculture (poultry, swine, dairy, beef and fish), soy food (tofu, soy milk, soy sauce), edible oil and meat processing industries.

ASA has worked with Korean feed producers on a feed efficiency improvement program which included feeding trials, workshops, symposiums, spot consultations, publications and the use of computers to find least-cost feed formulations.

Partly as a result of this program, the ratio of soybean meal in mixed feed produced in Korea increased from 6.8 percent in 1978 to 12.4 percent in 1983.

Koreans have consumed soybeans for centuries in such forms as soy sauce, soybean paste, bean sprouts and boiled or roasted beans. However, consumption in recent years had been stagnating.

To reverse the trend, ASA embarked on a soy food promotion campaign which encourages increased soybean use through media coverage, as well as seminars and food shows emphasizing the inherent value in this traditional food.

Since ASA's promotion began, consumption of soy-based foods has increased dramatically. Soybean imports for making tofu (soybean curd) rose from 38,000 tons in 1979 to 82,000 tons in 1983. Soybean imports for the manufacture of soy milk increased twentyfold during the 1978-83 period.

Because the Korean diet is oil-deficient, ASA has encouraged consumers to increase their intake of soy oil. Along with consumer education, ASA has been working with oil processors to improve soy oil quality and to develop soy oil based-products such as mayonnaise and margarine. Korea's total soy oil consumption was 29,000 tons in 1978; by 1983, consumption had increased to about 120,000 tons.

Twenty-six Cooperators Are Currently Active in Korea

American Seed Trade Assn.
American Soybean Assn.
California Raisin Advisory Board
Cotton Council International
Holstein-Friesian Assn. of America
Mid-America Intl. Agri. Trade Council
Mohair Council of America
Natl. Assn. of Animal Breeders
Natl. Assn. of State Dept. of Agriculture
Natl. Forest Products Assn.
Natl. Hay Assn.
Natl. Renderers Assn.
Natl. Sunflower Assn.
Natl. Potato Promotion Board
Rice Council
Southern U.S. Trade Assn.
Tanners Council of America
Tobacco Cooperators
U.S. Beef Breeds Council
U.S. Feed Grains Council
Meat Export Federation
U.S. Wheat Associates
U.S. Dry Pea and Lentil Council
Western U.S. Agri. Trade Assn.
USA Poultry and Egg Export Council
U.S. Livestock Exporters Assn.

U.S. Feed Grains Council

The U.S. Feed Grains Council's (USFGC) Korean office was established in 1972 to improve grain trade practices, upgrade the technology for corn processing and feed and livestock production, and advance U.S. sales through marketing and consumer promotion.

Activities in these areas are conducted in cooperation with FAS and Korean government and industry representatives. Since its inception, the Council's Korean office has conducted 150 projects in support of feed grain market development. The projects have covered a wide range of areas vital to feed grain market development.

USFGC, in cooperation with the Korea Swine Association and Korea Feed Association, undertook a major campaign to enhance consumer preference for pork. Over the course of eight years, some 600 cooking demonstrations were staged, and pamphlets and posters were widely distributed.

During the course of these promotions, per capita pork consumption increased threefold from 2.8 kilograms in 1975 to 8.4 kilograms in 1984. Over the same period, feed grain use leapt from 70,000 tons to over a million tons.

With the introduction of corn refining technology into Korea in 1973, corn products have gradually become a mainstay in industrial starch and sugar production. USFGC played a key role in this evolution through technology sharing.

Teams of Korean industry leaders and technicians were brought to the United States to meet with refiners and observe U.S. methods. The Council also arranged for U.S. consultants to make on-site visits to Korean plants to address specific problems. In addition to this technical assistance, a consumer awareness program was conducted.

The Council's market development efforts stimulated the growth of the livestock and corn processing industries in Korea, resulting in increased feed grain imports. Since the opening of the their office in Seoul, Korea's feed grain imports have expanded by more than elevenfold, increasing from 0.4 million tons in 1972 to 4.5 million tons in 1984.

National Renderers Association

Korea is a major consumer of tallow for soap, and a growing user of feed-grade fats for the livestock industry and edible fats for the food processing industries. Recognizing Korea's importance as a market for these products, the National Renderers Association (NRA) established an office in Seoul in 1980.

NRA's major areas of activity in Korea are to provide technical and trade information, schedule trade seminars, introduce new products and sponsor Korean study teams.

From the outset, NRA has actively promoted the use of feed-grade animal fats. Efforts included sending Korean feed industry representatives to Taiwan and the United States, holding trade and technical seminars and conducting a consultant survey on equipment requirements.

Korea's 1984 feed-grade animal fat consumption was up about 35 percent from the 1983 level. All the while feed millers continue to equip their facilities to add fats to their feed, and that should spell further increases in consumption.

Promotional efforts for edible tallow have included sponsoring a market survey team to Korea, conducting seminars for the Korean baking industry and funding a food producers' team to the United States.

These activities helped open a market for U.S. edible tallow for use in instant noodles and snack foods.

U.S. Wheat Associates

U.S. Wheat Associates' (USW) Seoul office was established in 1972 in response to the growing market potential in Korea. Projects to develop the market further include technical assistance for bakers, biscuit makers, flour millers and technicians; development of new premixes for food industries; international study tours for industry specialists; and assistance to Korea's wheat importing firms on trade-related matters.

A decade ago it was almost impossible to find a sandwich in Seoul. Even at international hotels, selection was limited. Western favorites such as spaghetti, macaroni and pizza were even rarer. USW has been working hard to create demand for these wheat-based foods.

In cooperation with two leading cooking schools in Seoul and one in Pusan, classes have been conducted to familiarize Korean consumers with these products. Each year as 6,000 chefs, housewives and others learn more about preparing wheat-based foods and share their knowledge with others, the availability of wheat foods spreads.

Another highly successful and popular USW program is the training of rural bakers. The workshops, held at seven or eight locations in rural Korea, combine lectures with baking demonstrations. Since the inception of the workshops, the quality of breads, rolls and sweet goods in rural Korea has improved greatly. ■

The author is a U.S. agricultural attache in Seoul.

Agricultural Trade Office In Seoul Paves the Way for Export Sales

By K.C. Lee

Different language, different customs and different regulations can be confusing to a U.S. exporter hoping to break into the Korean market. But few exporters can afford to maintain a field office in Korea, nor can they afford to go it alone in setting up a market in that country.

As an aid to U.S. exporters overseas, the Foreign Agriculture Service operates a number of agricultural trade offices worldwide. These include an office in Seoul that opened about five years ago to help U.S. exporters plan exhibitions, food tastings, menu promotions, displays, seminars, visits and other informational activities designed to bring buyers and sellers together.

Korea is the sixth largest U.S market for agricultural products. Sales to that country in 1984 were $1.7 billion, mostly cotton, corn, wheat, hides and skins, soybeans, tallow and sorghum. About 19 percent of U.S. food exports to Korea last year were in value-added products.

Number of Visitors Is Growing

In the five years that the agricultural trade office doors have been open to exporters, the number of visitors given practical assistance has increased from 271 in 1980 to 904 in 1984 while the number of resident and nonresident market development cooperators working with the trade office has risen from 12 to 26.

The trade office regularly hosts trade exhibitions to promote U.S. products. These activities may take a variety of forms ranging from intimate food samplings to large agricultural product exhibitions.

Beginning with the U.S. Red Meat Show in 1980, the Seoul trade has sponsored a series of trade promotion activities such as the U.S. Food and Agricultural Product Display and the U.S. Leather Product Display in 1984. The Oregon Department of Agriculture and the trade office cosponsored a display of regional specialties such as berries, potatoes, wines and alfalfa, in 1981, 1983 and March 1985. The trade office also assists U.S. companies in planning exhibits in Korean food trade shows such as the annual KORFOOD exhibition.

Several times each year the Seoul ATO arranges in-house displays featuring trade promotion materials translated into Korean, state export directories, export association brochures and company pamphlets and samples of U.S. food. This type of activity was extended to Pusan, Korea's second largest city and major port, in July 1984.

Office Offers Variety of Services

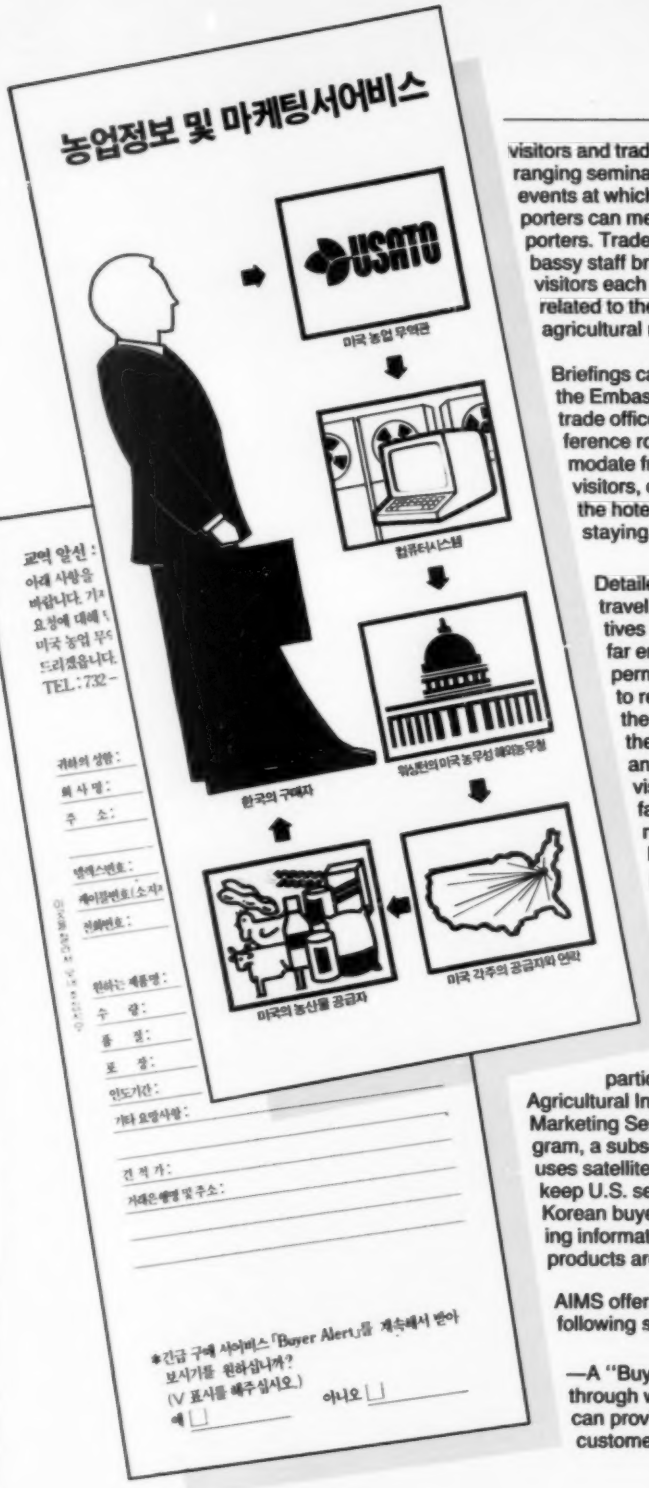
Menu promotions help familiarize the Korean public with U.S. foods. Typically the trade office will work with a major tourist hotel to offer a U.S. menu featuring such high-quality items as U.S. meats, particularly beef, wines, and fresh fruits and vegetables.

The trade office and cooperators cosponsor seminars for Korean farmers and businessmen. A joint U.S.-Korean dairy seminar was conducted for dairymen and farmers throughout the country. Other seminars involved grain products and alfalfa.

The trade office staff also helps plan itineraries for Korean buyers visiting the United States and occasionally provides escorts. At a recent exhibition in Kansas City, sponsored by the National Association of State Departments of Agriculture (NASDA), the trade office coordinated participation of more than 50 Koreans with an interest in U.S. products.

The trade officer personally escorted a blue-ribbon panel of officials from the Seoul Olympic Organizing Committee and the Korea Tourist Hotel Supply Center to the NASDA show, then visited several other cities to study procurement procedures and food service systems for the 1988 Olympics.

Trade office activities include briefing and debriefing business travellers to Korea, scheduling appointments for first-time



visitors and trade teams and arranging seminars and social events at which groups of U.S. exporters can meet Korean importers. Trade office and Embassy staff brief several hundred visitors each year on subjects related to the Korean agricultural market.

Briefings can be scheduled at the Embassy annex where the trade office is located, in conference rooms which accommodate from 10 to 100 visitors, or over breakfast at the hotel where visitors are staying.

Detailed information on travel plans and objectives should be provided far enough in advance to permit trade office staff to respond regarding the suitability both of the proposed duration and the timing of the visit, as well as other factors the visitor may need to consider. It is best to telex or phone ahead.

Agricultural Information and Marketing Services

The trade office in Seoul also participates in FAS's Agricultural Information and Marketing Service (AIMS) program, a subscription service that uses satellite communications to keep U.S. sellers informed about Korean buyers' needs, and relaying information on what U.S. products are available.

AIMS offers U.S. exporters the following services:

—A "Buyer Alert Service" through which U.S. exporters can provide potential customers in Korea and other major markets around the world with details on products they have to offer, including price, quality and shipment details;

—"Contacts for U.S. Agricultural Products," a bulletin mailed to importing firms worldwide.

—Trade leads sent by satellite from Korea and other countries where the Foreign Agricultural Service has offices, soliciting U.S. offers for specific items the foreign buyers want to purchase.

—Export Briefs, a monthly publication featuring selected trade leads received from importers in different countries.

For more information on the AIMS program, contact: Agricultural Information and Marketing Services Room 4645-S, Foreign Agricultural Service, USDA, Washington, D.C. 20250.

If there is already established trade in a particular agricultural product, the trade office can supply a partial list of importing firms to U.S. exporters on written request. Exporters can proceed directly to supply those firms with product literature, representative price quotations and other information designed to initiate a business relationship.

Limited staff resources make it impossible for the trade office to respond to individual requests for detailed market intelligence in areas not previously investigated. However, the trade office does carry out studies in areas of broad interest to the U.S. agricultural export community from time to time.

The trade office can provide background information on many major aspects of the Korean market and can suggest approaches which U.S. firms and associations might follow in conducting their own research into their products' sales potential.

For more information on Korea's Agricultural Trade Office, write or call:

U.S. Agricultural Trade Office, U.S. Embassy, APO San Francisco 96301, Telex: K25823 SOLATO, Telephone: 778-9115. ■

The author is a marketing specialist with FAS in Seoul.

Concessional Sales Program Transforms Korea into Cash Market

By C.S. La

Korea's 6.9-percent per capita income growth rate during the 1960s and 1970s is a success story that many countries would like to emulate. The United States made an important contribution to that record economic growth by providing Korea close to $2 billion in assistance under the P.L. 480 Food for Peace program since 1955.

Through the P.L. 480 program, U.S. agricultural commodities such as cotton, barley, wheat, flour, rice, leaf tobacco, canned pork, dry milk, cheese and lard were provided on both grant and loan bases.

These resources allowed Korea to make economic advances faster than would otherwise have been possible. Foreign exchange that would have been spent on food was freed up for other imports, including inputs for industrial development. Moreover, Korea's astounding 27-percent investment rate reached in the 1960s and early 1970s could not have been achieved if food imports were purchased on a cash basis.

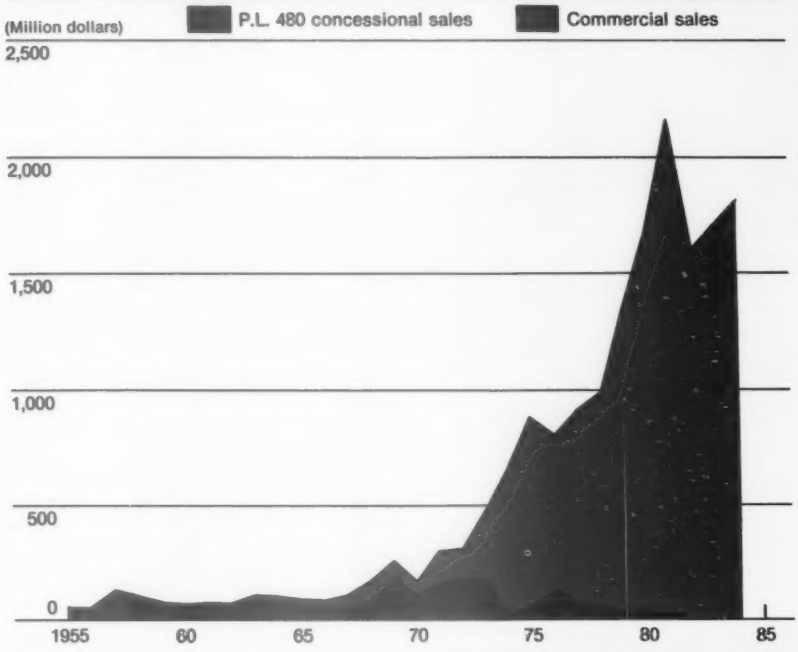
U.S. Commodities Helped Build Export Industries

U.S commodities helped Korea build its export industries by providing raw materials which would have been nearly impossible to obtain due to foreign exchange constraints. U.S. cotton, for example, helped fuel Korea's thriving textile industry.

P.L. 480 proceeds used to finance economic development projects not only contributed to Korea's overall growth, they also helped establish the United States as a source of supply.

U.S. training also helped develop a long-lasting agricultural trade relationship. Koreans trained in the United States, largely under U.S. Agency for International Development programs, were familiarized with U.S. production and marketing systems. They also learned English and developed U.S. trade contacts.

Korea Becomes Major Cash Customer for U.S. Agriculture



Some proceeds generated from the P.L. 480 Title I program financed food processing plant construction and equipment purchases.

Imports of U.S. agricultural commodities helped create product awareness and familiarity for consumers and processors.

Transition to Commercial Customer

The P.L. 480 program was phased out in 1980 because Korea had achieved economic self-reliance and concessional food aid was no longer necessary. The provision of Commodity Credit Corporation (CCC) export credit guarantees continues, allowing Korea to finance a sizable quantity of U.S. agricultural imports on 12- to 18-month terms at commercial interest rates. This program serves as a bridge between concessional and cash sales.

Farm Import Needs Continue

With a growing population and sustained economic growth, Korea will continue to rely on agricultural imports for domestic consumption and export processing.

In recent years, Korea has sought to diversify suppliers and find the least expensive sources of commodities. However, even though the U.S. market position has declined, Korea is expected to remain a major market for U.S. farm products. The dependability of U.S. supply, the availability of export credit guarantees, and long-term political and commercial relationships will serve as a basis for continued strong trade. ■

The author is an agricultural specialist with FAS in Korea.

Doing Business in Korea: Putting the Right Foot Forward

Photos by Andrew Walker

By LaVerne Brabant

Korea presents a number of paradoxes for U.S. agricultural exporters. It is one of the largest overseas markets for U.S. farm products, but it is also one of the most restricted.

Signs of freewheeling capitalism and a healthy respect for entrepreneurship are encountered everywhere, yet the business environment is profoundly affected by government influence and controls in almost every area of activity.

Korea's business community presents a warm and hospitable face to U.S. traders. It is quickly evident that most Korean leaders in both the private and public sector have a great deal of interest in and knowledge about the U.S. way of doing things. Yet their behavior often strikes newcomers from the United States as bafflingly foreign.

Cultural Identity Is Strong

Koreans have a strong sense of being a part of a unique and cohesive society. Korean history has been one of repeated

invasions, rule by outsiders, and contact with foreigners who showed little interest in or active disdain for their culture.

Chinese and Japanese rulers actively discouraged the use and development of Korea's language. Even today, the language is studied seriously only by a few narrow categories of foreigners, principally missionaries, scholars and Japanese businessmen.

Great respect for learning has opened Korea to strong outside cultural influences, both from the Orient and from the West. Yet most Koreans have a firm feeling of identification with Korea's achievements and values. A degree of patriotism that would be viewed as extreme in most western societies is the norm among Koreans.

Competition Is a Way of Life

Koreans have a "toughness" and resilience that are quickly noted as national characteristics. Energy and ambition are other traits that appear to be nearly universal, at least within the world of commerce. Competition is also a daily fact of Korean life in every sphere from getting into a prestigious university to finding a seat in a restaurant at lunch time.

In one of the most densely populated countries in the world, there never is quite enough space, power and money to go around, so Koreans are used to doing the very best at advancing their claims on everything from promotions to new apartments in a most single-minded manner.

In many repects, the drive to excel personally has been successfully channeled into making Korea a meritocracy run by individuals of proven excellence. However, foreigners may find themselves feeling overwhelmed or "bulldozed" in their encounters with the focused and persistent approach that their Korean counterparts bring to every transaction.

Building Relationships Is Important

Because Koreans get down to business very quickly in a discussion, some foreigners make the mistake of expecting negotiations to move rapidly to a mutually satisfactory conclusion. However, Korea is a society in which relationships are enormously important, and relationships are not developed rapidly.

Deals made quickly between strangers do not have the signficance of understandings among colleagues and old friends, and they are not likely to be honored if they come in conflict with obligations to others with whom ties are stronger.

Firms that have demanded precise enforcement of each clause in a contract have sometimes won the battle but lost the war, having pushed their rather fragile relationship with their opposite numbers past the breaking point in the process.

What this means for U.S. agricultural exporters is that they should not expect to be able to develop a good business in Korea simply by filling orders.

If describing the product and setting a price was all that was required to make the business happen, someone else would have probably already made the sale. Koreans prefer to do business with people they are in harmony with—the "sun" and the "moon" need to be in the right place, in the Korean expression.

The time required to get them there may seem inordinate to many U.S. business representatives on the run. However, it is no accident that many of the most successful joint venture businesses are run by expatriates who have been in Korea for many years, and that most trade is done by companies with strong local representation.

Tips for American Business Representatives in Korea

Come Prepared: Don't neglect research on the market and preliminary correspondence with firms you want to meet. A few appointments in advance are very helpful. Bring a supply of business cards. Bilingual business cards—English on one side, Korean on the other—are a help, but not essential.

Choose Your Associates Carefully: You cannot accomplish too much in Korea on your own, but the fact that someone has been in Korea often, or that he speaks Korean, or even that he was born in Korea does not guarantee that he will appear credible from the Korean perspective. Look for the same qualities you seek in any associate, particularly integrity and a proven record in the same or related businesses.

Easy on the Gas: Rapid fire English-language arguments leave Korean business representatives feeling baffled or cross. Irrefutable logic wins college debates, but it does not necessarily make sales. It is important to learn how Korean business people view their situation, and it may take many hours of meeting in the office and outside the work setting to accomplish this.

Expect Histrionics: Although Koreans place a high value on a pleasant atmosphere, harmony and consensus, they are much less inhibited about the public display of emotion than are some of their Asian neighbors. The free expression of feelings of frustration and anger, strong appeals to sentiment in the middle of a "dollars and cents" negotiation, and recourse to threats that might terminate further discussion in another setting are not uncommon in business dealings in Korea.

Foreigners should not leap to the conclusion that a sudden shift in the emotional tone of a meeting is a sign that the rules for their own behavior have changed. Responding to emotional heat and accusations in kind could deal a fatal blow to the essential process of building a relationship of ease and trust.

Keep Your Eye on the Ball: Life offers few rewards to Koreans who are not goal-oriented and highly competitive in their approach to every task. Foreign business representatives who try to operate without a clear strategy and attention to every detail of each negotiation frequently encounter disappointment.

Korean Names

Foreigners are often confused about how to address a Korean acquaintance, in part because they are unsure from a business card which name is the surname. The following points may help:

—Most Koreans have three names. These names usually follow the Chinese pattern of a surname followed by two given names.

—When written in Chinese characters or in Korean script, the order is always surname first.

—When written in English, several different arrangements are possible. Some Korean use the normal Korean order (Park Chul Su), while others turn the name around (Chul Su Park) to make sure that foreigners will not address them by their second given name ("Mr. Su" instead of Mr. Park"). There are other possible configurations as well: C. S. Park; Park, Chul Su; Chul-Su Park or Park Chul-Su.

—The situation can be clarified somewhat by realizing that there are not many Korean surnames. In any chance gathering in Korea, well over half the group will be members of the huge Kim, Park and Lee clans. (Lee is also commonly written Yi, Yee and Rhee, and is usually pronounced by Koreans as "ee".)

—In addressing Koreans, foreigners should stick to the use of surnames (Mr. Kim; Miss Lee), using formal titles if possible (Dr. Yoo; Chairman Song). Given names are quite personal, used to clarify "which Mr. Park" in speaking of a person not present, but strictly avoided in conversation among people who are not intimate.

Americans who attempt to shift at once to a first-name basis will make all but the most westernized Koreans very uncomfortable. Even a Korean educated in the United States may mark down an American who violates elementary name courtesy as an inexperienced amateur.

Language Can Be a Barrier

Like most people, Koreans are more comfortable conversing in their own language. Even though many Koreans speak and understand English well, language can be a major barrier to doing business effectively in Korea.

Cultural barriers may be larger than they appear on the surface, because the use of English tends to gloss them over. Korean gives a speaker many ways to speak without being very specific, in order to protect the listener's sense of his own position and well-being, his "ki-bun."

A Korean may nod and say yes or smile as an American goes through a very pointed, logical and aggressive presentation of his position. He is not indicating that he accepts every point, only that he gets the general drift of what is being said.

The outsider conversing in English with a Korean is well advised to speak slowly, repeat often, summarize what he believes has been communicated and not be shy about asking for clarification.

Professional interpreters, although expensive, are often well worth the investment, particularly if they have been well briefed on the subjects to be discussed in advance.

Respect Accorded by Hierarchy

Respect is accorded to individuals in Korean society according to many factors in addition to their personal bearing and reputation. Age, rank in an organization, educational attainments, previous associations and gender determine the respect that a person will be accorded as a matter of course by a Korean in Korean society.

While some degree of understanding of the different sources of respect in other societies is growing among well-traveled Koreans, it is essential for foreign business representatives to give very careful attention to Korean views of the status of other Koreans, and how they show their deference to those whom they view as their superiors.

There is no simple list of "do's and don'ts" covering the complex subject of Korean etiquette. Koreans will be quite tolerant of minor lapses by outsiders, and they appreciate the universal signs of consideration and attention to the feelings of others.

Dress Is Formal

Americans are well advised to dress quite formally (a business suit is appropriate for any contact with a Korean except for tennis or golf), and to avoid adopting a casual "old buddies" style, even after two or three meetings.

It is important to Koreans to know just where every person they meet fits into the scheme of things. The exchange of business cards is an important ceremony

here as in other Asian countries, and a device by which a Korean can learn about the name and position of the person he is addressing without direct probing.

It is often useful to explain the nature of one's responsibilities and place in one's organization at the outset of a meeting, to help the host understand what "Vice-President for Export Marketing" means.

It is quite helpful to send in senior staff (senior both in rank and age) to meet with Koreans, particularly if meetings with senior Korean staff will be required to complete the business at hand. Introductions from other well-placed Koreans are also very useful.

The Role of Government

Korea is a country with a strong authoritarian tradition in government, with most political debate centered on who is to rule and the process of selection, rather than the authority of government itself.

Regulations are deliberately written broadly to allow for administrative discretion, and officials have broad latitude for interpretation. The results can be maddening for foreign businessmen who may be trying to pursue goals not judged by a majority to be socially desirable.

Recourse against unfavorable administrative rulings through the courts or other formal procedures is almost unheard of.

Because government authority is broad and ubiquitous, there is a great deal of talk among all business people, Korean and foreign, about how to arrange favorable decisions.

Much attention is focused on getting influential acquaintances to assist with business problems, in Korea as in many other countries.

A word of caution to outsiders: Because Korea is a society of multiple and carefully maintained relationships, nearly everyone knows some "big shot" somewhere, and every person in authority knows literally hundreds of people who would like his assistance from time to time.

Obviously, most officials develop effective strategies for politely turning off requests from people who feel that they have claims on their loyalty. Most nonofficials with truly outstanding connections in the power structure have no need to advertise that fact to outsiders.

Although any foreign businessman will find himself faced with a regulation or rule that stymies his efforts from time to time, well-conceived undertakings do not get permanently stalled.

Know the Current Policies

Business success usually comes from knowing the government's overall policy goals, then designing an enterprise in such a way that it can be seen to support or at any rate present no serious conflict with those goals.

Korean firms are kept in close contact with government policies by participation in trade associations that both serve as mouthpieces for their members and at the same time wield great authority in ensuring their members' compliance with government directives.

Individual firms survive only by successfully competing one-on-one with each other, while still adhering to the national policy line and adapting to frequent changes in both the competitive and policy environments as they emerge.

Preparations: Do Your Homework

Exporters who want to "crack" the Korean market need to do a lot of homework before the first visit to Seoul. They must carefully balance the likely cost in time, plane tickets and entertainment expenses involved in establishing a presence in Korea against the near- and medium-term potentials for sales.

It is very important that exporters find out first whether the product they wish to sell is importable under Korean regulations. If it is, will it be competitive with similar goods from other origins ?

Like all sales people, exporters need to have a clear idea of what makes their product unique and a concept of customers' needs. The insight of a specialist on conditions in the Korean market is often helpful, since the fact that a product sells well in the United States does not guarantee that it is marketable in Seoul or Pusan.

Exporters interested in exploring the Korean market should start their investigation with the sources of information listed elsewhere in this magazine.

Correspondence with the U.S. Agricultural Trade Office in Seoul is encouraged. If all the signs are still "go" after this initial check, exporters should proceed to plan an exploratory visit, possibly in connection with other company business in the Far East.

If all goes well, that first visit will provide a company with a toehold in one of the most complex and challenging U.S. agricultural markets in the world. ■

The author is the U.S. agricultural trade officer in Seoul.

Handy References

Several publications which will be helpful to any U.S. exporter interested in breaking into the Korean marketplace are:

Korea: Economic Trends Report—a biennial summary of economic conditions prepared by the Economic Section of the U.S. Embassy in Seoul. Available for $1.75 a copy from Publications Sales Branch, Room 1617, Department of Commerce, Washington, D.C. 20230.

International Marketing Profiles—a compendium of basic information on the Korean agricultural market prepared by the Foreign Agricultural Service. Available for $50 from AIMS, Room 4645 South Building, U.S. Department of Agriculture, Washington, D.C. 20250.

Korean Market Profiles—Brief summaries of information on trade patterns and market conditions for various product groups prepared by the Office of Agricultural Affairs in the U.S. Embassy in Seoul. Available free of charge to U.S. exporters who write to the U.S. Agricultural Trade Office, U.S. Embassy, APO San Francisco 96301.

Country Briefs

China

New Plantings Could Cut U.S. Vegetable Sales

The success of planting trials of a number of foreign species of vegetables in the Shenzen special economic zone is encouraging wider plantings of these vegetables to meet the demand of hotels and tourists in China. The experiment was started in 1983 because of the high prices of imported vegetables. More than 200 species of vegetables were introduced from Italy, the United States, Japan and other countries.

If the planting of these vegetables on a larger scale proves successful, it is very probable that they will be exported to Hong Kong. The Shenzhen special economic zone is just across the border from Hong Kong and Shenzhen vegetables always enjoy the advantages of being fresher and cheaper than imports from the United States and other countries. Shenzhen currently exports a wide variety of Chinese vegetables to Hong Kong, and these shipments have depressed the prices of local Chinese vegetables in the Hong Kong market.

U.S. exports of fresh vegetables to Hong Kong amounted to $11.2 million in 1983, of which lettuce represented $5.6 million, celery $2.0 million and tomatoes $1.1 million. *—Michael Humphrey, Agricultural Trade Officer, Hong Kong.*

Building Boom To Require Wood Imports

A building boom now underway in China reportedly is leading to a shortage of building materials—and the possibility of wood imports. According to recent press reports, China may import about $1.5 billion worth of construction and decoration materials over the next three years for its booming hotel industry. Building materials needed range from wood and steel to windows, air conditioning systems and elevators.

Hotels are receiving priority attention in China because they eventually will be able to earn foreign exchange. Chinese trade projections indicate that 85 hotels with an investment of $2.1 billion will be completed in various Chinese cities by 1988. Much of this hotel construction is carried out by Chinese-foreign joint ventures.

Imports of building materials could rise further if other needs such as factories, recreational facilities hospitals and apartments are considered. However, it seems improbable at this time that China will import building materials for rural and urban housing. *—Michael L. Humphrey, Agricultural Trade Officer, Hong Kong.*

Egypt

Ban Announced on Cloth and Garment Imports

The Ministry of Industry has announced that Egypt's cloth production, reported at 1 billion meters, is sufficient for the country's needs and consequently that imports of cloth and garments will be halted. This announcement followed the establishment of a national committee that will chart the future direction of Egypt's textile industry.

The committee is expected to develop a national strategy for dealing with a new era in which supplies of cotton will be limited as domestic output declines and domestic use is likely to be increasing. In addition, there is a need to establish a cotton trade policy. Although the rationale for importing U.S. cotton for local use to free up additional quantities of higher priced extra long staple for export has been fairly well recognized, there is controversy over the question of increasing exports of cotton products at the expense of raw cotton, given the unusual value of the latter on the world market. *—Gerald Harvey, Agricultural Counselor, Cairo.*

Hong Kong

Soft Drink Sales Drop After Duty Announcement

Soft drink retailers reported a 20- to 30-percent drop in their sales in the first two months after the government imposed the equivalent of an 8-cent per litre duty on nonalcoholic beverages. A major beverage manager in the Colony says the soft drink market in Hong Kong is nearing the saturation point and as a result is extremely competitive. It is his belief that packaging will be the key for bottlers to increase their market share. He indicated that packaging or bottling currently accounts for 60 percent of the total production costs of soft drinks produced in the Colony.

Moving into the Chinese market may be a logical step for Hong Kong bottlers in the next few years. Sales to China already account for 30 to 40 percent of the production of one major firm. Citrus juices are the most popular drinks exported to China. *—Michael L. Humphrey, Agricultural Attache, Hong Kong.*

Japan

Food Import Inspection Procedures Simplified

As part of the Japanese Government's seventh trade package, the Ministry of Health and Welfare will relax its import procedures in an effort to respond to foreign pressures to provide improved market access. The planned seven-point program will expedite and somewhat reduce the cost of processing imports, but will provide U.S. and other exporters with few, if any, new sales opportunities. However, the move is important in strengthening a more open attitude toward imports, and helps create a climate for further import liberalization.

The seven points in the program are:
- Allow requests for import inspection to be filed with food import inspectors in advance of import arrivals. Currently requests must be filed after arrivals.
- Simplify the format used for requests for import inspection. For instance, the document used to request inspection for wheat imports now must be accompanied by another document entitled "Request for inspection aboard vessel." The requirement for this second document will be abolished.
- Establish safety standards to enable non-pasteurized mineral water to be imported. Currently, mineral water must be pasteurized.
- Extend the length of "validity of analysis" certificates which must accompany imported food containers from the current six months to more than one year.
- Abolish labeling requirements for packages of food imported for processing (not for retail use).
- Allow port inspectors to decide how to dispose of deteriorated imported wheat in order to expedite unloading operations. Currently only the headquarters of the Ministry of Health and Welfare has this authority.
- Study increasing the number of agricultural inspectors at ports to reduce import inspection time.

—William L. Davis, Agricultural Counselor, Tokyo.

Sweden

Lupines Encroach On Protein Meal Imports

Larger imports of lupine seed for feed manufacturing are encroaching on Sweden's own feed pea program as well as on traditional protein imports of soybean and fish meals. Sweden traditionally imports 150,000-200,000 metric tons of soybean meal from Western Europe, produced mainly from U.S. soybeans.

Lupine seed is relatively cheap since it is imported duty and levy-free, while soybean meal is subject to an import levy. However, the Swedish government is considering proposals to subject lupine seed imports to licensing and agricultural regulations. This would clear the way for the application of import levies on imports.

Lupine seed imports likely totaled about 25,000 metric tons during 1984, more than three times the level the year before. Contracts reportedly have been concluded for 30,000 metric tons for 1985. Australia is the principal supplier.*—Shackford Pitcher, Agricultural Attache, Stockholm.*

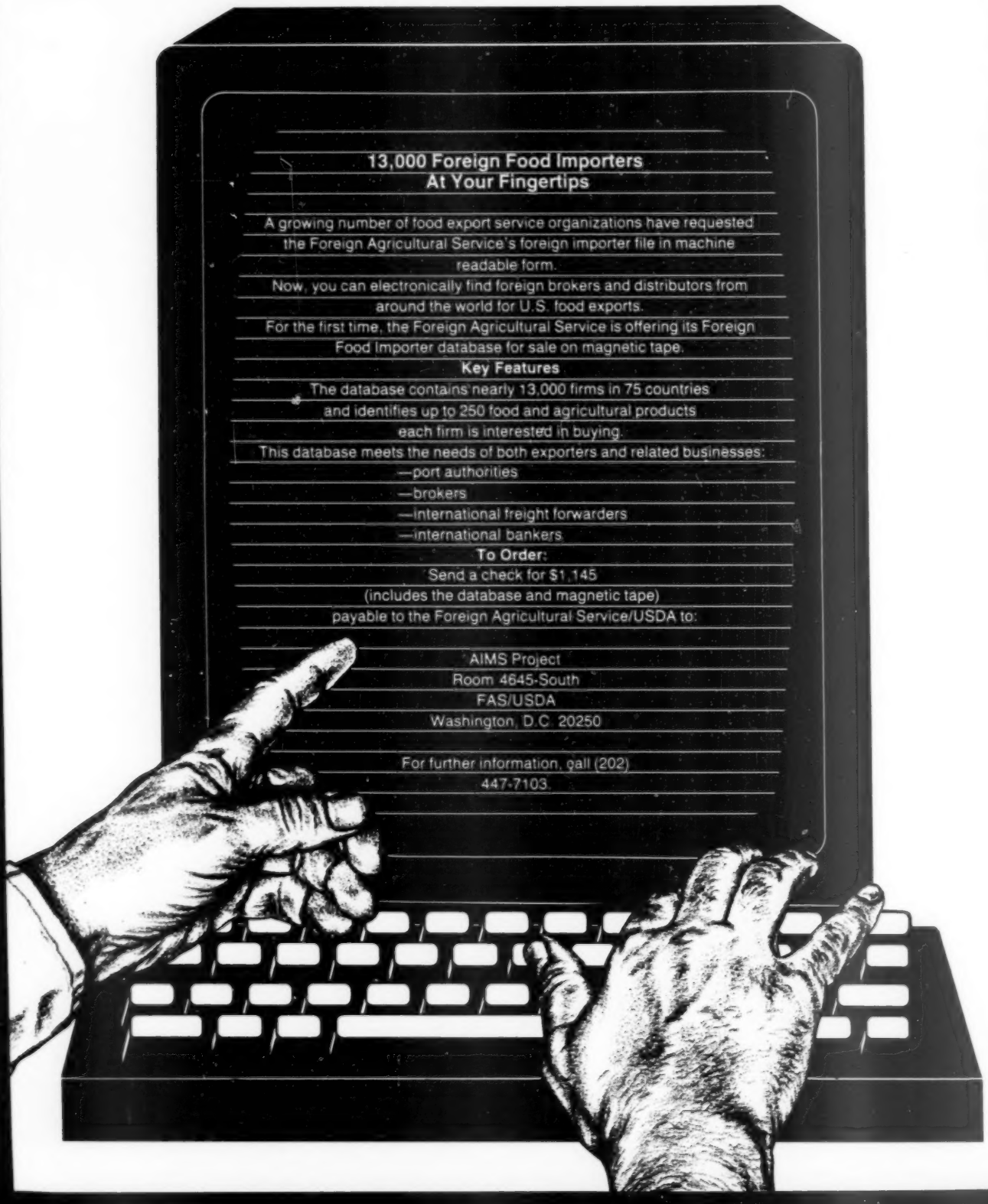
Yugoslavia

Cotton Imports To Set Another Record

Yugoslav cotton imports reached a record high of 126,860 metric tons in 1984, up more than a fourth from the year before. But the 1984 record is not likely to stand for long since cotton spinners are planning to import some 133,000 metric tons of raw cotton in 1985.

The largest suppliers of this year's import total are expected to be the USSR—75,000 tons or about 56 percent; the United States, 38,000 tons or 29 percent; Sudan, 10,000 tons or 8 percent; and for the first time there is a possibility of some imports, perhaps 10,000 tons, from China. Egypt likely will supply some cotton as well.

The large cotton imports in 1984 contributed to record Yugoslav cotton yarn output of 135,448 metric tons, up about 8 percent from the year before. Exports of Yugoslav cotton fabrics (unbleached) totaled 12,112 metric tons, of which about 39 percent went to Italy, 17 percent to the USSR, 14 percent to West Germany, and the remaining 30 percent to unspecified destinations. *—Harlan J. Dirks, Agricultural Counselor, Belgrade.*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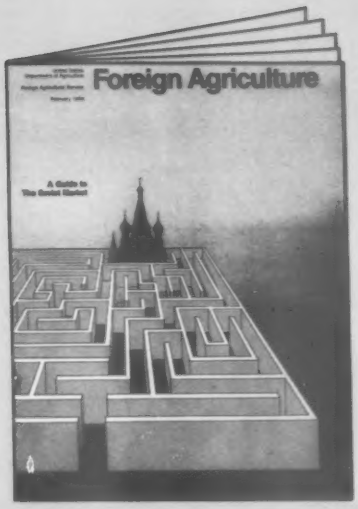

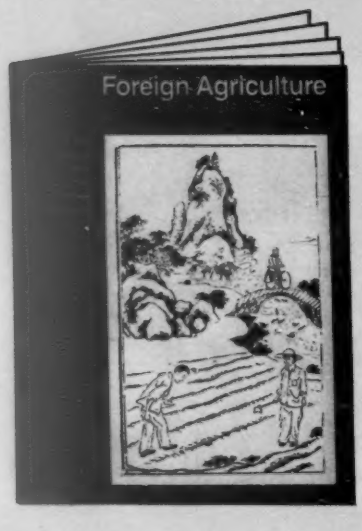

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